

**"We used *The Money Habit* to transform the finances of our business and our lives. We can assure you—it works!"**

**JESSE & EMILY COLE, founders of the Savannah Bananas**

# — THE — MONEY HABIT

**EXCERPT**

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**The Worry-Free Way  
to Financial Independence**

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# MIKE MICHALOWICZ

— Bestselling author of **PROFIT FIRST** and **ALL IN** —

# Introduction

## A Money System That Helped Millions—Now It's Your Turn

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**“OUR PEOPLE** are still living the American Dream, even though they are told they can't have it.”

Sometimes, I get feedback from people that floods me with gratitude. Gratitude for the honor of teaching *and* learning. This was one of those times.

*Our people are still living the American Dream.* In my biggest and wildest fantasies, and I can go big and wild, I assure you, I never imagined I would hear those words. And to receive them, unsolicited, from Travis Snyder, someone who had the data to back it up, well it just doesn't get any better than that.

Travis Snyder is the Dream Manager for A1 Garage Door Service, a company with locations across the United States. For the employees who opt in to the program, Travis's job is to clarify their big life dreams, for themselves and their families. As you can imagine, a lot of those dreams revolve around finances. Paying off debt and buying a forever home are the big ones. A1 Garage Door Service was the first company to introduce the Money Habit system to its employees, because money, effectively managed, is the pathway to those dreams.

It all started with a call I received from Travis's boss, Tommy Mello.

Tommy, the founder and CEO of A1, had read my book *Profit First* and used the system to transform his business into a financial juggernaut. In other words, healthy and huge. Yet, Tommy was worried about the most important part of his company: his employees, all nine hundred of them. While his team of installers and service techs earn higher-than-average incomes for their industry, they still struggled. "Too many of my employees are living paycheck to paycheck and struggling with debt," Tommy said. "Could you come teach them how to use a personal version of the Profit First system?"

Over the years, I'd heard from countless readers who had fixed their business finances with the help of my book *Profit First* but still struggled with personal cash management. I also heard from non-business owners (you know, as in, most people) who had stumbled across the book and were trying to adapt it for their personal lives. Whatever their reason, readers tested the cash management system I shared in that book and found it fixed money problems they hadn't been able to tackle before. It turns out, the principles I describe in *Profit First* work for anyone, whether you are paid hourly or salaried, work part time or full time, are on contract or a permanent employee, are deep in debt or just want to level up your financial game.

I never officially tracked how many inquiries I received, but I suspect it was well into the thousands. I repeatedly told myself, "I'll write that book for personal finance someday." Tommy's call turned "someday" into "today." Plus, there was one person I knew who had already been living both the Profit First system and its corresponding personal finance system for nearly two decades with great effect: me.

Seconds after Tommy's call, I started to assemble all the information, research, and experience I had accumulated while deploying my own simple approach to personal finance. It became the Money Habit system, and it's for people on fixed or flexible incomes, for people who have jobs, or gigs, or side hustles, or passive

income, or earn-as-you-churn work, or even own their own businesses. It works with who you are, as you are, wherever you are. But before I share more about it, let me tell you how it started.

I created the original method, the Profit First system, in the early 2000s in a moment of desperation and used it to save my own business, my sanity, and what was left of my bank account. I consider myself ground zero for Profit First, the first person to go all in on the system. And while my business showed the symptoms of my financial ineptitude, the disease was my personal finance. Profit First fixed both.

The system I created is not rocket science and it's not a new idea. To solve my financial chaos, I drew on a method rooted in simplicity, one that had worked for generations: the envelope system.

It works like this:

- 1 Label a stack of envelopes, one for each type of expense: rent/mortgage, groceries, fun, et cetera.
- 2 Periodically, allocate a portion of your income to each envelope so you know what is available, for what purpose, before you use it.
- 3 When it's time to pay a bill or purchase something, use the money in the envelope earmarked for that purpose.

See? Not complicated. You may have already tried this method. Maybe you used jars instead of envelopes. Maybe you stashed money under your mattress or hid one of those jars so well that you @#\$\$%! forgot where you put it.

As with any budget, all these methods work, until they don't. Eventually, you find yourself moving money around between envelopes or jars or dipping into that box under the mattress so you can pay for something you want.

Most budgeting systems fail because they demand new habits that we struggle to sustain. They set us up for short-term success but ultimately leave us where we started, or worse.

Think dieting. We try the new weight loss fad, and it works for a little while, but a few weeks or months later, we're right back

where we started, often with even more pounds to lose. The system fails us.

So that's what I set out to fix. I was determined to make a system that was unbreakable, or at least as close to it as possible, for my own undisciplined, marginal-at-math self. I figured out that any transformation requiring you to become someone you're not just wasn't going to work long term, or at all. If I could create something that worked *with* our habits, then we'd be golden. I began my seventeen-year study of human behavior and money.

The Profit First system is the good ol' envelope system, plus the pay-yourself-first principle, married with a remove-the-temptation tenet. And best of all, it works. As in, it *really freaking works*.

I wrote about the Profit First system for the first time in 2008 in a little paragraph in my first book, and then later in an article for *The Wall Street Journal* that went viral. (Not like Taylor Swift-level viral. You know, geeky small business-level viral.)

The first edition of *Profit First* came out in 2014, and we've tracked more than one million implementations worldwide so far. I'm proud to say the system has helped readers break free from financial chaos, set aside money for the little things and the big things, the essentials and the extras, and fund their dreams. I love hearing from business owners who have transformed their finances and are now living their best lives. They send me pictures. Pictures of their family on trips. Pictures of new homes. Pictures of the last debt collection notice in the garbage (or fireplace). And they tell me the good news about how their lives are different, how they can sleep at night, how their mental health has improved, how life just seems easier to handle.

What I love most is that a million-plus people have financial confidence as a result. They are no longer scratching by. They are in control of their cash. They aren't desperate for a lottery win or a get rich scheme. Their cash accumulates while they live life as they want. People who had constant money worries now tell me, "I never have to worry about money again."

*I never have to worry about money again.* That may seem like a bold claim, but it's true.

And I want that for you too. I don't want you to have to worry about money *ever again*.

So I got to work.

Now, hacking a proven system and using it for another purpose is one thing, but what if that system was *already* designed for who you are and how you are, right now with your own money?

I had been kicking these questions around, apparently, for a long time. Tommy's call was the sign I needed to prove my personal finance version of Profit First worked for people who have an hourly or seasonal income. Would the system work for people who are making ends meet on a fixed income while dealing with increasing inflation and economic uncertainty? With Travis's help, we started working with a test group of twenty-five A1 Garage Door Service employees from the Dream Manager program, in a Money Habit group. I called it the Money Habit system, not because we need to create all new habits, but because to be financially independent, we must work with the habits we *already have*.

Within just a few weeks, that Money Habit group experienced remarkable transformation. They paid off thousands of dollars in debt. They saved thousands for future expenses, for down payments on homes, for new cars, and for their kids' futures.

And within *six* months, they collectively saved a total of \$282,830 and paid off \$210,905 in debt. That's twenty-five people gaining nearly half a million dollars. In six months.

More importantly, they gained what I call "cash confidence." Like the entrepreneurs I'd been working with for nearly twenty years, these salaried, hourly-wage, and seasonal employees were confident they'd never have to worry about money again. Not that money challenges would never happen. They will. But now this group has a system that puts people in immediate control of any financial situation.

My team and I went on to implement the system with employees at other businesses in different industries and in different regions with varied costs of living and different types of earnings (salaried, hourly, seasonal, freelance, or gig work). That's when I knew for sure that the cash management system I created, the same system

that saved hundreds of thousands of businesses from closing, could restore financial security for anyone who needed help, regardless of their life's path.

*The Money Habit* is for those of us who tried to follow the usual financial advice and petered out. If other approaches haven't worked for you, you are not at fault. They just don't suit you. So let me be bold: *This system might work for you specifically because those others have not.*

Using the Money Habit system doesn't require you to change who you are. You don't have to master a skill, use a software budgeting tool, or deprive yourself of everyday joys. Once you set it up, it will run automatically. You won't have to wonder whether you have enough money for this or that. You won't have to feel bad about your financial choices, including spending money on what you want. And you'll accumulate money to go after dreams you may have thought impossible, dreams you may have given up on long ago.

It was after Travis gave me the six-month numbers for the Money Habit program that he shared his comment about the American Dream. But that wasn't all he said.

"You know, you hear on the news that the American Dream is dead. No one can afford to buy a house. No one can go on vacation. But even in this tough economy, I'm seeing the people in the Money Habit program buy houses, go on vacations, save money for their kids' college. So I know it can be done."

Yes, Travis. It can be done.

Yes, you can do it. You don't have to be good at math, or have super willpower, or have perfect credit. You don't have to make a lot of money, or even have a predictable income. You don't have to understand personal finance.

You can do it.

The American Dream is not dead. It's yours for the taking.

# You Have (Already) Won the Lottery

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**MY SON TYLER'S** hand shook as he gave the check to his new wife, Cora.

Staring at the check, she said, "I've never seen this much money in my life."

Following the Money Habit system, my wife and I had set aside \$50,000 for each of our three kids' weddings. And because Tyler and Cora had spent only \$14,000 on their big day, we gave them a check for the balance in their wedding account (\$36,000) to use however they saw fit. A rainy-day fund, a down payment on a home of their own, or toward some other dream.

Weeks later, I had to nudge Cora to deposit the check; she'd been holding on to it because she didn't know if her bank would accept a deposit of that size! She had never seen that much money, and I had never given that much. Ten years before that, I couldn't have written that check. We would have been able to give them a nice wedding gift, like a set of reasonably priced dishes or a pasta maker. But to pay for the wedding? To the tune of \$50K? We couldn't have imagined ever being in that position to help our kids in that way, unless we won the lottery.



After I convinced Cora to deposit the check, it hit me: We *had* won the lottery.

And you have too.

You just may not know it yet.

People dream of getting checks with lots of zeros. Some play the lottery hoping for the big payout. Others eye old, ailing Uncle Richie Rich and his gracious will. Why? Because they want to be so financially secure that they never have to worry about money again, and they believe a windfall of cash will help them get there. Rightfully so.

Winning lotteries is a long shot. Better said, a *loooong* shot. But if you do have the rando-luck of a win, the most common jackpot amounts fall between \$1 million and \$3 million, often doled out through state lotteries or the more frequent secondary prizes. The odds of your million-dollar-plus win? One in about 12.5 million tries. Those odds suck.

To make the odds more understandable, if you played the lottery every day of the year for about 23,942 years (that is not a typo) you have a 50 percent chance of winning. With a minimum bet of \$2 each time, you would pay \$730 a year. And over those 24,000 years, you would pay \$17.5 million to “win” maybe \$2 million. In other words, lotteries drain you, your bank account, and your will to live. Don’t play them. Hoping Uncle Richie Rich willed all his money to you instead of the twenty-five-year-old he recently “fell in love with” is far more likely to pay out but is mostly out of your control.

You don’t have to make bets with impossible odds or pin your hopes on someone else’s decisions, because you’ve already won. Seriously.

Let me explain. What if you won \$2 million in today’s lottery? Now, *that’s* a good day. The lottery commission then gives you two options: You receive the funds in monthly installments over thirty years or you can cash out right away and get a lump sum of \$1 million. Let’s say you choose option one, since installments ensure you don’t blow all that money on a spender-bender.

Now, what if I told you that you have already won exactly this amount of money? Probably more. And you have (wisely) chosen an installment plan that puts guardrails around your spending.

The average American and European earns roughly \$2 million in salary over their lifetime. So your primary concern should not be how to come into more money today; it should be how to manage the money you are already coming into *more effectively* starting today.

You've probably heard that most lottery winners lose the money they won within a few years and end up more unhappy than they were when they "didn't have money." Case in point, the infamous story of Jack Whittaker, who won more than \$300 million in the Powerball, circulates endlessly. What began as the "happiest day of his life" spiraled into lawsuits, a gambling addiction, the loss of family members to drug abuse, the loss of his uninsured home in a fire, and complete financial ruin. He is, however, the exception.

What you might not know is that the theory of lottery wins making you miserable has been debunked. It turns out lottery winners are pretty happy *when they manage their winnings wisely*. This insight explains the Whittaker case. Despite already being a multimillionaire before his record-breaking lottery win, he wasn't miserable because of the money; his mismanagement of it did him in. Shortly after his win, he bought a Lamborghini and did laps through his neighborhood, tossing money out the window. Not long after, thieves stole more than \$500,000 in cash from him, which he had inexplicably stored in a silver suitcase in his car while he was inside a strip club. When asked why he made such reckless choices, his response was, "Because I can."

Financial success isn't about what you can do; it's about what you should do.

That brings me back to gifting the money to our son and his new wife. You might assume that the \$50,000 we saved for our kids' weddings was possible because of how much money I earned. That's only part of the story. The real reason we were able to set aside that money was because I created a system that helped me

manage my income and save for their weddings automatically over fifteen years. The system assigned a purpose to every dollar, ensuring all aspects of life, including Tyler and Cora’s wedding, were accounted for. The Money Habit guided me on what I *should* do and, most importantly, it did the discipline part for me!

The odds on lotteries are heinous. But the odds on weddings are pretty darn good. They are likely to happen if you have kids, and there is a typical age range in which they will marry, so I play those odds. And when it comes to money management, playing the odds of life’s probabilities will greatly help you too.

The Money Habit Formation

No matter your income, whether it’s \$200, \$2,000, \$20,000, \$200,000, or \$2 million, the system you are about to learn captures your cash flow and channels the money for you. Any financial outcome can be achieved by addressing three ingredients: amount, frequency, and time.

Amount × Frequency = Challenge		Habit Forming	Time to Goal
Small × Infrequent	= Manageable but Inconsistent	Moderate	Slow
Large × Frequent	= Overwhelming but Consistent	Low	Fast
Large × Infrequent	= Overwhelming and Inconsistent	Very Low	Slowest
Small × Frequent	= Manageable and Consistent	Very High	Fastest

**The Money Habit Formation Grid.** Big deposits burn you out. Infrequent ones don’t stick. But small, frequent allocations? They lock in the money habit fast. Your brain rewires with easy wins and rapid reps, and you hit goals faster than any other way.

Technically, I could save \$50,000 if I put away just \$1 (amount) per year (frequency) for 50,000 years (time to goal). Absurd, I know. But understanding these three factors allows you to wrap your head around what you want to do, what you can do, and how to adjust when you aren't happy with the progress.

### **Ramping Up Frequency**

You can increase the frequency of your savings to reach your goal faster. For example, if I put away \$1 (amount) every hour (frequency), I could save \$50,000 in about five years and nine months (time to goal). If I increase the frequency even more, saving \$1 every minute, then that fifty grand happens in just over one month.

### **Ramping Up Amount**

You can also increase the amount you save each time. For example, if I put away \$100 (amount) per month (frequency), I would reach \$50,000 in just over forty-one years. If I double the amount to \$200 per month, I cut that time in half to just over twenty years.

### **Combining Frequency and Amount**

The real magic happens when you ramp up both the amount and frequency. For example, if I save \$25 (amount) every day (frequency), I could hit \$50,000 in about five years and six months. And if I push my savings to \$100 every day, I could achieve the same goal in just one year and four months.

This approach aligns with cognitive load theory, which suggests that smaller, more frequent actions are easier for our brains to process and sustain over time. When a goal feels manageable, like saving \$25 each day, we're less likely to feel overwhelmed

compared to larger, less frequent amounts like \$760 per month.\* Even though they work out to be the same amount.

By breaking savings into bite-sized, consistent steps, you reduce mental strain and increase the likelihood of sticking to the plan. As you establish your Money Habit, you will hear my constant drum beat to allocate funds weekly or biweekly. It is how you stack small financial building blocks sequentially, resulting in substantial money gains without substantial effort.

Now that you understand how amount and frequency interact with time, you can take control of your financial goals. By adjusting just one, or better, both factors, you can achieve outcomes that might seem impossible at first glance.

It is the money system, not the money I earn, that has given me the ability to handle almost anything life throws at me and keeps me worry-free about how I'm going to pay for it. Isn't that why we all want a windfall of cash? To do what we want, when we want, worry-free, forever?

## When Life Expects Us to Pay Up

Within minutes of getting the call that our daughter was in the hospital, my wife, Krista, had booked a flight out of Newark, New Jersey, for early the next morning and had already started packing. Adayla had fallen eighteen feet from a wall while rock climbing near her home in Tennessee.

Thankfully, she was okay, but she had snapped her ankle. Her foot had twisted completely. As she looked down, she realized she wasn't staring at the top of her foot, she was staring at the bottom. In that split-second, frozen in time, she thought, *I've never seen my sole before... so weird*. Then the pain hit like a streaking meteor, and she blacked out.

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\*  $\$25 \text{ per day} \times 30.42 \text{ average days per month} = \$760.42$ . Rounded down, that's \$760 a month.

I had been keeping our insurance costs down by using a “catastrophe” policy with a high deductible of \$10,000. This catastrophe was surely about to make us pony up a big chunk of cash. And, we were soon to find out, that ten grand was a mere drop in the bucket.

After she arrived in Tennessee, Krista purchased some medical supplies for Adayla, including a scooter to help her get around once she was allowed to get out of bed. Krista also paid for all the meals and groceries for the two-and-a-half weeks she stayed with Adayla while she recovered from surgery. And, because I was traveling for speaking engagements during that stretch, we hired a house sitter to check in on our house, water plants, and bring in the mail, as well as a dog sitter to walk and feed Archer, our mutt. The bills started to add up.

Next-day flight: .....	\$584
Deductible for surgery: .....	\$10,000
Scooter: .....	\$153
Medical supplies: .....	\$91
Meals and groceries/2.5 weeks/two people: .....	\$520
House sitter (two weeks for while I was away): .....	\$350
Dog sitter (last-minute with overnight care): a whopping .....	\$1,200
<b>Total unexpected expenses: .....</b>	<b>\$12,898</b>

If the accident had happened a dozen years earlier, we would have been screwed. I would have been doing the mental math and freaking out about how we would cover the unexpected expenses, likely scrambling to pull together some combination of personal loans and credit cards. And then once we figured that out, we’d be freaking out about how we would eventually make those payments.

Worrying about money would have added to the concern we had for our daughter, making a tough situation a full-blown crisis. You can’t adequately attend to an emergency when there is a constant undercurrent of a *financial* emergency. Adding insult to injury, at

least for me, money worries come out in anger and frustration. I would be snippy at best, a jerky jerk at worst.

Except none of that happened. Krista wasn't worried. I wasn't worried. We knew we had enough cash to cover everything in our HEALTH savings account. And because we had the cash, we could act quickly so Krista could be right by Adayla's side as soon as possible.

Sitting in my hotel room the day after Krista arrived in Tennessee, I called her for an update. All was well. Our daughter was in pain, but the surgery went smoothly and with the help of physical therapy, she'd get full use of her ankle again within a year. After I hung up the phone, I sat quietly in my room and thought about how different our lives were since the dark days of when we were drowning in debt. Back then, I dreamed of being free from the financial roller coaster, and I worked tirelessly to change it, but I couldn't get a handle on it.

Until my daughter, that same young woman who had just broken her ankle, saved my life.

## **The Piggy Bank**

By the time I was thirty-five, I had built and sold two multimillion-dollar companies. Before you start picturing private jets, yachts, and Lambos (with me throwing money out the window), let me stop you right there. These companies were far from financially fit, and truth be told, neither was I. The difference between what a business makes and what its owner actually takes home is massive. The buyers bought my businesses for strategic reasons, not because I made these companies into money-making machines. That's what the new owners planned to do with their acquisitions.

Alas, the truth of the situation was something I couldn't see. I thought I was a rich mofo. Two company exits meant a couple of years of take-home income in the chunky six figures. I was able to grow 'em and get out of 'em before they crumbled.

I was the master of the pump and dump. You know, where you build up something fast with little to no structural integrity (a

house of cards) and sell it off before it all comes tumbling down. My biggest pump and dump? My ego. I pumped up a big fat ego and dumped my common sense. With my “obvious” Midas touch I decided to become an angel investor. Spoiler alert: I was a disaster. I didn’t lose “just a little” money; in less than two years, I lost every penny I got from the “lottery-win” sales of my businesses. All of it.

Things spiraled fast. Bills piled up. I stopped opening them. Unknown numbers? Straight to voicemail. Debt consolidation companies hounded me with multiple calls a day, and their bright, shame-inducing envelopes stuffed my mailbox weekly. My financial mess wasn’t just private anymore; it had gone public. And it was humiliating.

I did everything I could to keep it hidden. Every day, I’d rush to the mailbox before Krista could get to it, shoving those ugly reminders of my failure deep into a drawer. I told myself it was to protect her, to keep her from worrying. But the truth? I didn’t want her to know just how bad it had gotten. I didn’t want her to see me for what I felt I had become: a financial disaster who had run out of money, out of luck, and nearly out of hope.

I started to fixate on who would find out I had gotten us into a financial mess. Could the neighbors see my slumped shoulders and sagging head from their front window when I opened my mailbox? Had they received any of the collection notices by accident? What did the mail carrier think? I was so embarrassed. By this point I was sending numbers that I *did* know to voicemail. My withdrawal was the start of a depression.

In his classic book *Walden*, Henry David Thoreau wrote, “The mass of men lead lives of quiet desperation.” That sums up my life during those dark days. I was desperate to get us out from under debt and off the financial roller-coaster ride, without anyone noticing a thing.

Desperate people do desperate things. So I tried anything and everything: “get rich quick” books, the law of attraction and all that manifesting stuff—I even tried playing the lottery. I wondered if that sign on telephone poles that read “Stuff envelopes at home. Earn \$1,000/week” might be legit. (It’s not.) I wanted ways to be



financially sound so badly, I started to convince myself that obvious scams were the real deal. See what I mean? Desperate. I knew, deep down inside, that none of these “strategies” would work. But we’ll do (and believe) all sorts of weird stuff when we don’t have other options.

I also reverted to the fabled “money shuffle.” I moved money from here to cover a cost over there, and then I took from there to cover something else over here. I kept moving money around, trying to keep us afloat, until one day there was nothing left to move around. It all went down on the day meant for hearts, roses, and chocolate.

On Valentine’s Day 2008, my accountant called. “Good news, Mike. I got a jump-start on your taxes this year and just finished your return for 2007. You owe only twenty-eight thousand dollars.” This was the last tax bill associated with the sale of company two. Money that was totally gone twelve or so months prior.

Good news? Hardly. I had \$10,000 in a mix of accounts and between the tax bill, the accountant’s bill, living expenses, and the growing monthly minimum of credit cards, I’d need four times that amount. Where would I find the money?

In the greatest of ironies, that day I came home with a hopeless heart because for our family, Valentine’s Day was a special deal. At dinner, we would exchange cards and stories about what we loved about each other. It was one of my favorite days of the year, yet I opened the door filled with dread.

I would have to come clean. It was time to tell my family the truth about our finances.

At dinner, Krista and the kids could see something was up. When she asked if I was okay, I started crying. I was so full of shame. I mean, I was (supposedly) the breadwinner, the guy who provided for the family, yet I couldn’t do my one friggin’ job.

Finally I said, “I lost everything. Every single penny.”

Tyler and our youngest son, Jake, sat motionless. Stunned. Frozen.

Adayla was nine at the time. Her eyes big and her shoulders tense, she looked terrified. I don’t know if it was because her daddy was sobbing, or she comprehended what I had done, or both. She

jumped up from the table and ran as fast as she could. On those spindly legs of hers, she booked up the stairs into her room and slammed the door shut.

You and I have made a commitment to be providers. That is why you are reading this book after all. You have committed to provide for yourself. You may have committed to provide for your family. You may be providing for parents, kids, relatives, others. The thing is, providing financial security is a form of protection. But I was such a failure that I couldn't protect my own family. I wanted to run away from the circumstances that I had brought down upon us. So, to see my daughter run away from me was brutally painful. At the same time, I got it. She was doing exactly what I wanted to do.

Except she wasn't running away from me. She was running to her bedroom to save me.

Behind the closed door, she grabbed her most prized possession and then flung the door open. That little nine-year-old girl raced back down the steps with her piggy bank, the one she had received as a gift when she was born. I had told her that dreams come true when you manage your money well. (I am aware of the extraordinary hypocrisy as I write this.)

Dutiful, she had been saving nickels, dimes, and dollars for the horse she wanted to have one day. The rubber stopper on her piggy bank had been secured with masking tape, duct tape, and rubber bands so "a robber wouldn't steal it."

She handed me her piggy bank and then, in her tiny, nine-year-old voice, said, "Stop crying, Daddy. We're going to make it."

Telling my family we had no money left was my rock-bottom moment. At least that's what I thought. There's a saying about rock-bottom moments, and you probably know it: "As difficult as it is at the bottom, at least there's only one way to go . . . up." It's a beautiful sentiment. Too bad it's total bullshit.

The reality is, when you hit rock bottom, life drags you along the ground. Shards of self-disdain slice your skin, grains of loathing grind your eyes, and boulders of hopelessness crush your bones. If you know, you know.

I had always said if I couldn't provide for my family through a business of my own, I would get a job working anywhere, doing anything. If McDonald's was hiring, I would take it. If UPS needed a night shift fella to move boxes, I was in. At least so I said. When I hit that lower-than-low point, I didn't stay true to my word. Instead, I borrowed money from soon-to-be-maxed-out credit cards and lines of credit, from friends and family, all to "keep the business going." And I drank a lot. I drank to feel less ashamed. To feel less, period.

For me, rock bottom became two years of (self-diagnosed) functional depression. While Adayla's confident declaration had momentarily filled me with hope that we would make it, I had no idea *how* we would make it. How *I* would make it. And that's when the depression started. I tried several tools to lift it. I started a daily success diary, which did nothing. I joined a men's group, which helped some of the time, but most of the time being in the presence of guys who were financially strong, or at least seemed that way, only amplified my shame.

The only thing that would work to get me off the ground and return me to a peaceful state of mind was financial stability.

### **More Money Is Not (Always) the Answer**

Eventually, the cash games stop and reality hits. This didn't happen when I drained my own accounts. It happened when I couldn't spend anyone else's cash either, because I had borrowed everything I could.

That was the first time I took a hard, honest look at how I had run my businesses, and I noticed a pattern: I was obsessed with having more (getting more money) and had spent almost no time learning how to manage what I already had (controlling money more). I chased that lottery-level windfall; I did not build wealth.

For people who are living in poverty, who can't pull themselves up by their bootstraps because they don't even have boots, more money coming in *is* the answer to their immediate problems. But

for the rest of us, more money will help us only so much before we end up back in the same hellhole. This is because we keep trying to implement budgets and financial strategies that go against our natural habits. And that's when we tend to go haywire.

## **Bank Balance Budgeting**

It's payday! You look at your bank balance and suddenly, after a week of eating leftovers, you're flush. So you start spending. Dinner and a movie. A purchase at your favorite store. A gift for a friend. Then, come Monday, you realize you have to pay the phone bill, and you owe your coworker Jan for the lunch she covered the other week. Don't forget about the student loan payment you have on auto-pay. Your payment for that roof over your head is due in thirteen days and you're wondering, yet again, if you might be short.

"Bank balance budgeting" is making spending decisions based solely on the number you see in your account, rather than accounting for upcoming bills and automatic payments. This approach leads to recurring financial stress.

So we decide it's time to "stick to a budget." And that works just about as well as you'd expect.

Here's how I used to run my business and personal finances: I'd set a budget at the start of the year, and then within a month or two, I would have blown it due to "unforeseen circumstances." An unexpected expense, something we wanted to buy or something we needed to buy, would come up. And another one. And then another one. This is not uncommon. According to *U.S. News & World Report*, 80 percent of New Year's resolutions fail by the second week of February. We're terrible at sticking with new habits.

With my budget merely a suggestion, I'd resort to my tendency to check our bank balance to see if we had enough money right now to cover whatever we had to cover "right now."

If the checking account seemed to have a healthy balance, we'd spend. Except that balance had to cover a lot of other things. Maybe some payments hadn't cleared yet, or an automatic withdrawal

would surprise me yet again. Maybe an annual expense was coming up and we hadn't accounted for it. Did we really have enough money, or not?

What appeared to be a healthy balance on payday would lull me into a false sense of security. Then, a few days or weeks later, I'd look at the low or negative balance and wonder where all the money went. Then the overdraft charge would crush my bones.

I'd think, *Maybe I just need a different budget. Maybe I'm doing it wrong.*

We turn to financial experts who tell us to budget, and we try that. But budgets work about as well as diets, which fail in the long term 95 percent of the time. Ninety-five percent! That means pretty much every diet will fail eventually. Notice how I didn't say, "Every dieter will fail." It's not us. It really isn't.

Except we think it is our fault. We *believe* it is our fault.

*Maybe I need therapy. Maybe I need to figure out why I overspend.*

Therapy is helpful, and mental health is vital, for sure. *And* the solution may be simpler and faster than uncovering our emotional issues around money.

The late Howard Farkas was a renowned psychologist known for his unprecedented success helping his clients recover from chronic binge eating and emotional eating. In his book, *8 Keys to End Emotional Eating*, Farkas explains the underlying reason it's so hard for people to stay on a diet and stop eating food they know they probably shouldn't eat is that there is an internal conflict between control and autonomy. He says an aspect of emotional eating is the "transgressive motive," a "taboo-breaking thrill of defying the rules."

Farkas writes, "There's a conscious part that you think of as your real self. It's compliant, eager to please, and wants to do the right thing, including diet and exercise, and generally go along with social expectations. There's also a part that you're probably not aware of that's more rebellious. It instinctively reacts against restrictions on your freedom, including the freedom to choose

what to eat. These are the two sides of the struggle that results in emotional eating, and this conflict must be understood to be resolved.”

So basically, we *want* to budget, but we also want our freedom. We rebel sometimes out of necessity, and sometimes just because we wanna. This is why willpower doesn’t work long term. We are wired for the need to comply to social norms (don’t go broke) but we also want to break free from those social norms (buy this fun toy).

What does it look like when budgeting starts to fail? When we want to buy something outside of our budget, we check the good ol’ bank balance again. It seems like we have plenty of money. Shouldn’t be a problem. We can just shift something around later, right? Now the budget, like diets and New Years’ resolutions, is blown, and we start to feel pretty bad about our choices. Why can’t we get it together like Jan in marketing (who we *still* owe ten bucks for lunch)?

Let’s not torture ourselves anymore, okay? It’s not you. You’re not a bad person, or bad with money, or unable to kick your bad habits. Our inability to stick to a budget is not our fault. It’s how we’re wired. All of us, as in humans. We just don’t want to be restricted all the time.

Farkas says the solution is to bring these two parts of us, control and autonomy, into balance. When I read about that in his book, I got chills. Because there’s that word again. Balance.

How do we restore balance between our two natural tendencies, so we don’t feel the need to rebel and screw up our finances? We allow ourselves to spend what we want in our *bank balance*. We keep doing what we’ve already been doing: checking the bank to see if we have money and spending based on what’s there.

We don’t *stop* bank balance budgeting. We make it work for us.

We set up a system (control) so our inner rebel can live (autonomy).

That is the fundamental difference in the Money Habit system, the difference that beats those crappy New Year’s resolution and diet statistics and helps you create permanent change. I’ll show you exactly how to do it in the next chapter.

## How I Figured It Out

In my low, low, lower-than-low rock-bottom place, dodging bill collectors, it finally dawned on me: *What if I stop trying to use systems that require me to have discipline or to change who I am? What if I had a money system that works with what I already do? What if I figure out how to manage my finances by doing what I am already doing multiple times a day: looking at my bank account?*

That's when I came up with the Profit First system for my business. Even in my mental state, I knew that, as a business owner, I needed to get my business finances in order first. If I could consistently be profitable, the proceeds would be my source of income. In a nutshell, Profit First involves transferring a percentage of income into different bank accounts (envelopes) that are earmarked for specific purposes. Using Profit First, my business went from being a money pit to a profitable, money-making machine in just a few months. I'm generally an optimistic guy, but even I was shocked at how fast it worked!

I then went on to build three more multimillion-dollar businesses, this time with sound cash management in place. As in businesses that actually pay the owner and all their employees a real salary.

Profit First worked so well for my business that I immediately started using it with my family's personal finances. I adjusted the percentages to account for different goals and circumstances. I kept tweaking it for personal finances until I was sure it would work for anyone. For people who have a job, people who are paid by the hour or who receive a salary, people who run a business or a side hustle, people who are doing okay financially but want to do better, and people who are crawling back from that dark place and haven't yet seen the light at the end of the tunnel.

I call it the Money Habit system and it works because it uses the habits you already have. You don't have to be disciplined or good at math, or to understand financial jargon. You don't have to spend years learning finance or bookkeeping. And you don't have

to change who you are. Because let's face it, if becoming worry-free requires me and you to change who we naturally are, we'll be stuck on the roller-coaster ride forever.

When Adayla said, "Daddy, we're going to make it," I was humbled by her sacrifice, but dismissed it as a child's ignorance about what we were facing. But maybe ignorance wasn't the right thought. It was innocence. I couldn't believe it possible. I was too low, and too mired in the way that you are "supposed to" manage money. Yet she was right.

We did make it. Within a year of my personal finances being in control, the debt consolidation notices stopped coming and the debt collectors stopped calling. We had a small emergency fund and enough money to pay our bills on time every month, and we had started setting aside money for the stuff we wanted and the dreams I thought we'd have to leave behind.

We made it, not because I figured out how to make more money (inherent to an entrepreneur's income is volatility), or because I got really good at budgeting (I'm not). We made it because I finally had a system that worked. A system that didn't demand I become someone I'm not. I could stay myself (minus the massive ego), and the system would still deliver. A system that was so rock solid that it worked, even if I—ahem—cheated a bit.

## **Cash Confidence Is Power**

A couple of months into Adayla's recovery from ankle surgery, she received a notice from the insurance company that they would not cover any of the hospital bill. Neatly folded in with the notice was the statement "Patient Responsibility: \$75,000." Adayla panicked. She now had to pay a bill that would bury her. She called Krista, crying, exasperated, panicked she'd have to work two or three jobs for years to cover it. She was frozen, unable to think of how to get out from under the bill. I too was stunned momentarily, but I knew what to do next.



I immediately called our agent, Dan Ritter, and we started the complex process of challenging the insurance's denial. Still, Adayla was convinced she'd have to pay the bill. And from my understanding, we were in for a dog fight with the insurance company based on a technicality they used to skirt responsibility. So, yeah, that monster bill was going to be on my daughter's lap.

"Let's consider the worst-case scenario," I said. "If the worst happens and insurance doesn't pay, we have enough money in our emergency account to pay for it in full. Don't worry, Adayla. We can cover it."

*Don't worry, Adayla. We can cover it.*

To comfort my daughter fifteen years after she offered up her piggy bank to me was a full-circle moment I'll never forget. I still get choked up thinking about it. Adayla, in her nine-year-old mind, was confident we would be okay because she had "cash confidence," her piggy bank with the duct-taped stopper. Now I was able to pull from our savings, if needed, to cover her outrageous medical bill, because *I had cash confidence*. My wife and I had squirreled away money monthly into our emergency account and had \$100,000, more than enough to cover the bill.

Once she understood that we could pay the bill if we had to, Adayla felt comfort. Her focus shifted from fear and anger to working on a path forward. When we are overwhelmed by financial anxieties, it's freaking hard to see a way out of it. And it's damn near impossible to fight for what's rightfully yours. With the newfound cash confidence, we started making calls and gathering documentation. Six months of a pragmatic, persistent approach tipped the scales in her favor, and eventually the insurance company agreed to cover 90 percent of Adayla's hospital bill. Thanks to Dan for the guidance. Thanks to our emergency fund for the confidence.

When you know you have enough money to cover everything you need, that's "cash confidence." And with the help of this book, you're about to get it.

## The \$36,000 Check

Since setting up the Money Habit system in my own life, Krista and I bought our dream home. We intend to pay off our thirty-year mortgage in less than twelve years. We paid for all three of our kids' college educations in full. We set aside money for retirement and emergencies of every kind. We have individual slush funds, which allows me to go to a Virginia Tech football weekend with the guys, guilt free (Go, Hokies!), and Krista to go on a girls' trip to Napa Valley, guilt free (Go, cab francs!). And the best part, we have had a ton of fun together on adventures and trips all over the world. Cash confidence has given us access to our dream life. I intend to do the same for you.

These outcomes—no debt, early mortgage payoffs, trips, healthy emergency funds, college funds, and even wedding funds—may seem impossible to you right now. You may wonder if a system as simple as transferring funds to separate bank accounts can really make all this happen. Yes, it can.

You may think the Money Habit system won't work for you because you have too much debt, or you don't earn enough, or you aren't good with numbers. I didn't believe it would work for me either. But it has more than worked. It has transformed my life. And it has transformed the lives of at least a million others. You'll hear some of their stories in this book.

Yes, The Money Habit will work for you. It's not complicated to set up, and once that's done, the system runs automatically. You simply need to take the first step and decide to give it a try.

You don't have to be stuck in the ups and downs of the financial roller-coaster ride. You don't have to be at the mercy of inflation or worry that you won't have enough money to cover the things that are important to you and your family. You don't have to stay in that place where one disaster, one accident, one catastrophe could bury you in debt for years or for life. You *will* have the cash confidence to live the life you dream about.

Congrats, lottery winner, your financial freedom starts now.



## 2

# The Money Habit System

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**STOP RIGHT HERE.** If you're not ready to step up and do the thing that will forever fix your wallet, put this book down and go back to hoping your finances magically fix themselves.

Yes, you read that right. I've never started a chapter like this before, and admittedly, asking you to put down my book may not be a smart idea. But it had to be done. Your financial future depends on it. And your finances are far more important than me selling a book.

The biggest barrier to financial freedom is not a lack of knowledge; it is in not doing what you know you need to do. So, you can't skim. You can't get to this "when you have the time." This chapter is the game changer, and if you don't act on it, you won't get results.

Just give me one hour. That's all I ask. With all the love in the world, I implore you: Buckle up, Buttercup, and do this shit. We good? Good. Then, I have one final plea, I promise. This chapter will give you the basic overview of the Money Habit system, but to really understand it, you've got to *do it*. You've got to experience it. And I want you to do it today, even if it is ten o'clock at night, and you're comfortably tucked in bed in your favorite pj's. Money mastery is a  $24 \times 7 \times 365$  thing. Start now.

Not “tomorrow.”

Not “soon.”

*Today.*

Even if you are sitting there in your undies.

Let’s get to work.

## **Use Multiple Bank Accounts**

Every summer, we take a family vacation to Long Beach Island. One morning several years ago, before I perfected the Money Habit system, we were out to brunch at one of our favorite restaurants, Uncle Will’s, and there was a guy at the table next to us who struck up a conversation, I think, because I was wearing a Virginia Tech hat.

I felt extra generous. So as a surprise, I told the waiter, “Hey, don’t tell that guy, but I want to cover his meal.”

The check came, I yanked out my trusty credit card, and the waiter smiled. “Sir, we’ve gone cash only.”

I froze. I looked at the debit card nestled in my wallet and at the bank machine in the corner that the waiter kindly pointed out to me. Did I have enough in that account to cover the bill? I had no clue. And since I didn’t even have enough cash on hand to cover my meal, let alone his, I had to turn to my sister, her husband, my niece, and my son to scramble together enough money to pay for this guy’s meal.

It wasn’t even that I didn’t have the money. I paid everyone back right away. The real problem? I had no awareness of my finances. I didn’t know what was available, and I wasn’t tracking what I could actually spend.

That’s the difference now. With the Money Habit system, I never have to wonder. And I definitely don’t have to do the I’ll-pay-you-back-later-I-swear scramble for cash ever again.

In the introduction, I talked about the envelope system that’s been around for ages. You designate envelopes for different expenses, like rent, “mad money,” and groceries, and then stash your

cash in the envelopes. When you need to run to the store for groceries, you use only the money in the corresponding envelope. Seems simple enough, right? Except there's a couple of problems with the envelope system. What's stopping you from shifting money from one envelope to another? Nothing. It's too easy to pull money out of your "someday" envelopes: the ones labeled Rainy Day, Down Payment for Dream Home, and Summer Vacation. You think you'll replace the money, but you rarely do.

The solution is to open multiple bank accounts for specific expenditures and transfer a portion of your income to each account. And to keep you from borrowing from one "envelope" to cover an unexpected expense or a spending spree, you'll open a couple of accounts at different financial institutions so you cannot easily transfer funds between accounts. You can keep your "bank balance budgeting" habit and let your inner rebel be free. This freedom is not a "bad" habit at all. In fact, it will save the day.

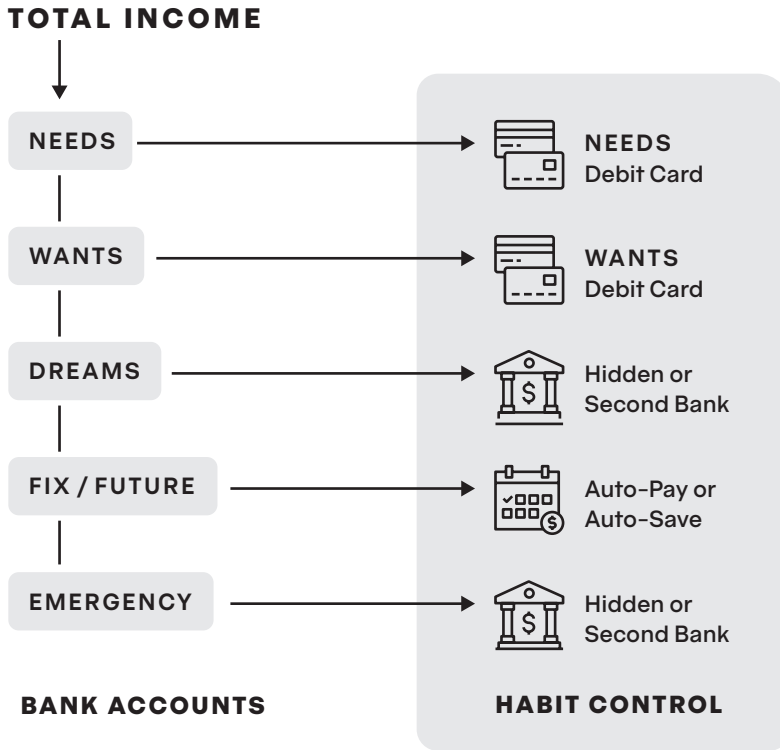
Here are the six foundational accounts I want you to set up:

- 1 **INCOME:** This is where your total earnings are deposited. You will never pay bills from this account. Instead, you will disburse funds to the other accounts from this account. You will not get a debit card for this account, because you won't use it to buy anything.
- 2 **NEEDS:** This is an account for essential expenses necessary for daily living, such as your housing payment, car insurance, groceries, and utilities. You will get a debit card for this account because you will need it for your everyday needs.
- 3 **WANTS:** This is your discretionary spending account for things you want but can live without, such as entertainment, dining out, or new clothes. You will get a debit card for this account. You can choose a different card design or label the cards with the account names to easily identify which debit card to use in which circumstances.

- 4 **DREAMS:** This account is to save for aspirational spending for major life goals tied to personal fulfillment, such as vacations, investments, or achievements. This money is sacred, so keep it out of sight and out of mind (and at a different bank) to avoid dipping into it for everyday wants. When you're finally ready to make that big buy, you'll transfer a portion of this money into your **WANTS** account to spend with intention and celebration.
- 5 **FIX/FUTURE:** Use this account to eliminate debt and secure your financial future. While you have debt, it's your **FIX** account. Once debt-free, rename it **FUTURE** and use it to build long-term savings. Don't get a debit card for this account. Set up auto-payments from it to crush debt consistently. When you shift to **FUTURE**, use automatic transfers to investment accounts or other forms of a "security stash" to keep momentum and never miss a deposit.
- 6 **EMERGENCY:** This account is savings for unforeseen expenses, such as medical emergencies or urgent home or car repairs. Minimally, you will set this up as a hidden account at your current bank to crush the temptation of using it for anything that isn't an emergency. To make it truly seem out of reach, set it up at a different financial institution. When you do need it, transfer the funds to the **NEEDS** account and pay for that emergency.

You may be thinking, *This dude is out of his mind. How am I supposed to keep track of so many accounts? What's my bank going to say?* I get it. And I know six bank accounts may seem like a lot at first, but really, the pain is over once you set them up. And your banker? They'll be thrilled about how much moola you're moving through their bank.

In chapter 3, I will give you a handy-dandy chart, called The Money Target, that will help you figure out your disbursement percentages: how much to transfer from your **INCOME** account into the other five accounts.



**The Money Habit System.** Rather than ask you to fight your existing habits, the Money Habit system channels them. Your total household income hits the INCOME account, then a percentage (or fixed dollar amount) flows into NEEDS, WANTS, DREAMS, FIX/FUTURE, and EMERGENCY to give you instant clarity on what money is for what purpose. Debit cards control daily spending in the NEEDS and WANTS accounts. Hard-to-access accounts, which are hidden or at a second bank, protect long-term funds. Automated payments knock down debt. Automated transfers build savings.

## Why Fix and Future Are the Same Account

You may be wondering why the FIX account (for debt reduction) and the FUTURE account (for savings accumulation) aren't separate. Simple: Having both accounts at the same time messes with



your behavioral wiring and gives you too much leeway to drift off course. When **FIX** and **FUTURE** run side by side, it weakens habit formation and makes it easier to justify poor decisions, like carrying debt while believing you're building a strong financial future.

The Money Habit system is built around financial seasons (you'll learn more about those in chapter 3). At specific times, your main job is to fix debt. No splitting attention between past mistakes and future goals. When your account is labeled **FIX** *or* **FUTURE**, never both, every time you log into your bank, you instantly know your top priority. That kind of insight builds momentum.

Behavioral psychology backs this up: in particular, attentional bias. We focus most on what's right in front of us. So, if you see **FUTURE** money sitting next to **FIX** debt, your brain gets confused. You lose urgency. You rationalize. You slip.

One account, one purpose: That's how you build the habit and keep it strong. And when the debt is gone and your **FIX** account becomes your **FUTURE** account, that shift isn't just a renaming, it's a milestone. You've earned it. Just don't go back. Debt is common, but that does *not* mean it's normal. Kill it first. Then move forward, permanently.

## Remove Temptation

As I mentioned earlier, we tend to "borrow" from accounts we've set up for a specific purpose, usually to handle unexpected expenses or buy something we *just have to have*. Instead of trying to change that habit, we're going to put guardrails around it.

The funds for your **INCOME**, **NEEDS**, and **WANTS** accounts will stay visible at your primary bank, but your **DREAMS** and **EMERGENCY** accounts will live elsewhere. Or at the very least, be well hidden from the most likely thief: you. Out of sight really is out of mind, and that's exactly where you need some of your money to be.

Again, your **FIX/FUTURE** account will be set to auto-pay (debt) or auto-save (investments), so the money moves on to do its work

before you can get your sticky fingers on it. Because if you “borrow” from those funds, it’s not borrowing. It’s stealing from yourself. And every time you do it, you chip away at the effectiveness of the entire system.

This is usually where people ask me, “Why not just move money straight from **INCOME** to pay off the credit card or invest?” Fair question. But that “extra” step of sending money to **FIX** or **FUTURE** first isn’t busywork. It’s a behavioral firewall. It makes you see the money, feel the decision, and own the move. Skip that, and the cash just disappears. The **FIX** and **FUTURE** accounts act as staging areas. You spot the amount, confirm the action, and in that brief pause, you reinforce your money habit. Visibility builds accountability. And accountability makes good behavior stick.

If you participate in your company’s 401(k) program or health insurance savings program, you’re already doing this. The funds are deducted from your paycheck before you get it, so you don’t have access to that money and you don’t have to worry about spending it or covering those expenses. The money is subsequently stored at a bank or financial institution other than your regular bank. Better still, your investment account likely prohibits access without a penalty, until you reach a certain age. Pull the funds out earlier than the designated date and you may pay a penalty. Temptation removed!

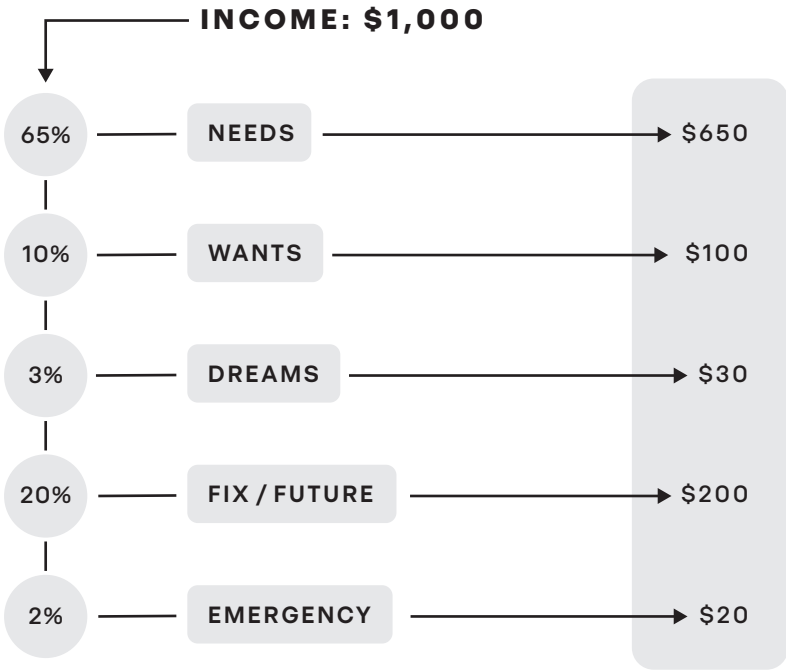
## **Establish a Rhythm**

When we don’t have a handle on our bills and available cash, it causes worry. This is why it’s important to establish a rhythm of disbursing funds from **INCOME** to your **NEEDS**, **WANTS**, **DREAMS**, **FIX/FUTURE**, and **EMERGENCY** accounts.

You’ll begin by test-driving the Money Habit system manually for two months. That means no automation yet. Every time you get paid, you’ll log into your bank, look at **INCOME**, and intentionally transfer all your **INCOME** funds into your dedicated accounts,

*then* you'll pay your bills from them. All of this is done by looking at your bank accounts. No spreadsheets, no bookkeeping system, no budget necessary. (As a reminder, in chapter 3 I'll give you the percentages you'll need to figure out how much of your income to disburse to each account.)

Over time, following this rhythm will give you a better sense of your personal cash flow. Like when you need to set aside more, if you need to change your rhythm, that sort of thing. You'll develop a kind of intuition about money that you haven't experienced yet.



**Example of Money Habit allocations.** A \$1,000 deposit lands in the INCOME account. On allocation day, funds flow out based on set percentages (or fixed amounts), so every dollar has a clear job before it's used. In this example, 65 percent (\$650) goes to NEEDS, 10 percent to WANTS, and so on. One glance at your accounts tells you what's available for what purpose.

Yes, it takes a little effort at this stage, but there's a reason for this. Each transfer will give you a micro-win, a new awareness, and your first experience of control over your money.

After two months of doing this manually, you'll set up automatic transfers, so your system runs itself. This means your bank will handle the allocations for you. Based on the fixed dollar amount or percentages (some banks do both!) you assign, your bank will distribute the money from your *INCOME* account into your *NEEDS*, *WANTS*, and other accounts on a set schedule.

In his book *I Will Teach You to Be Rich*, my friend Ramit Sethi writes, "Sometimes the most advanced thing you can do is the basics, consistently." (I completely agree.) Ramit is a big advocate of automation. By setting up auto-transfers into his savings and investment accounts, each part of his financial system works together, seamlessly. Having his finances on autopilot gives him a cascade of benefits, among them: His money accumulates while he sleeps, and he doesn't worry about covering bills or having enough money to retire one day.

Automation isn't just about convenience; it's about reinforcing the habits and structure you've already put in place and understand. You'll know exactly where your money is going because you've been actively managing it for two months.

## **The One Account Challenge**

The Money Habit system is your worry-free path to financial independence. But right now, you might not feel very worry free. Maybe you are waiting for your next paycheck before you can fill your gas tank. Maybe your house payment is coming due again and you are scrambling to make it work. Maybe it is worse.

Or maybe your frustration comes from not knowing when you can afford something you really want. When can you finally take that vacation you keep talking about? When will you be able to go out to dinner without putting it on the credit card again?

No matter the financial situation, we all have that one thing. Something that keeps us worrying or wondering. At the core, every financial consideration comes down to the same two questions.

*When will I be able to cover that expense?*

*When will I be able to afford that thing?*

The Money Habit answers these questions no matter where you are financially. But still, one thing can get in the way: feeling overwhelmed.

Some people find the idea of opening all these accounts at once too much. Like walking into a packed restaurant where everyone is talking at the same time, too many accounts can make too much noise, at first. If that sounds like you, before we run the risk of too many voices coming at you, we are going to start small. Just one financial conversation between you and a bank account. *The one conversation that will help you stop worrying or wondering.*

Just like with any good habit, the way to build it to the highest level is to start small before doing it all. So start by opening just one new bank account designated for either something you're worried about covering or something you really want to purchase.

So here's your mission, should you choose to accept it:

- 1 Determine what the account will be for. Ask yourself which financial stressor is on your mind most often. Do you worry about covering rent each month? Paying for groceries any given week? Affording your kids' summer camp registration? Or do you find yourself wondering when you can finally buy those new sneakers? Or something bigger, like a weekend getaway? If the question "When can I afford this?" keeps popping up or causes stress, that's your cue to set up an account for it.
- 2 Open just one new account at your bank and nickname it after your biggest financial stressor. When starting out, it's usually a **NEED**, but it could also be a **WANT** or **DREAM**. Choose a name that instantly clarifies its purpose. To keep things organized, precede the nickname with **N** (**NEED**), **W** (**WANT**), or **D** (**DREAM**) so you always know what the money is for, at a glance.

For example, N-Groceries, N-Rent, W-Dinner Out, D-Vacation, or D-A Gift for Mike.\*

- 3 Allocate money to your new account every time you get paid. For essential expenses like rent or groceries, set aside a fixed dollar amount each week or per paycheck to ensure the expense is fully covered when needed. For example, if your rent is \$1,600 per month, you might allocate \$400 per week or \$800 per biweekly paycheck to your N-Rent account. If it's an annual expense, like summer camp fees, divide the total by the number of weeks or pay periods until it's due, and set aside that amount to W-Summer Camp regularly. For expenses without a deadline, like dining out or vacations, allocate a small percentage of your income instead. These expenses are more flexible, so you can adjust as needed.
- 4 Use the funds in this dedicated account only for its exclusive purpose. Don't have enough money in it to buy the new shoes? Then your "when" hasn't happened yet, and you are not ready to buy the shoes. Don't have enough money to pay for all the groceries? Then you need to consider how much you spend on groceries *or* the possibility you are spending money on fancy shoes at the expense of your pantry.

When you complete the One Account Challenge, email me at [mike@mikemichalowicz.com](mailto:mike@mikemichalowicz.com) with the subject line "My Money Habit Starts Now!" so I can easily spot it in my inbox. There is no better accountability mechanism than telling me you're committed. I'll be sure to email you back; just be patient since I am traveling constantly and not always on top of my inbox.

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\* That last one is a joke. But believe it or not, some people have actually sent me checks. If this method has served you so deeply that you're tempted to do the same, please instead donate to the Community Service Society of New York (and tell me when you do). This organization helps people facing economic insecurity, and it quite literally saved my father from abject poverty when he was a child. Your contribution could do the same for someone else.

With this step complete, you have already handled the hardest part of this system. And you have cleared up a nagging financial stressor. Well done.

### ☑ TAKE QUICK ACTION

The first step in channeling your magnificent money habit is opening one account. That's it. One account. One designation. One small step in setting up your Money Habit, one giant leap toward financial independence. Do this now. Not later. Not when you have time.

## Set Up Your Accounts

Kari Saddler, who agreed to give the Money Habit system a shot, told me she was “two parts skeptical and one part willing to try because [she] felt like [she] was failing with money for so long.” But after just two weeks of using the system, Kari still had money in her usual account for a grocery run, *plus* her WANTS account had more than enough for her fave sushi place and a movie. She said that normally, by that point in the month, she'd be scrambling to move money around to cover overspending. This time, she wasn't. “I'm completely amazed at how different this money habit feels,” Kari told me.

I think you will be amazed be too. With that one account set up, the rest is easy. Easy money, so to speak.

Set a date to open your remaining bank accounts. And if your favorite date is today, all the better. Checking accounts are appropriate for INCOME, NEEDS, and WANTS; savings accounts are best for your DREAMS, FIX/FUTURE, and EMERGENCY accounts.

Right now, you're likely depositing your income into the same account you use to pay your bills. You're going to separate those activities, which means if you designate your current checking account as the INCOME account, you'll have to move any

auto-payments for bills to the new **NEEDS** account. Or, if you'd rather designate your current checking account as the **NEEDS** account, you'll have to change the account into which your paycheck is deposited, so it goes into your new **INCOME** account. Either way, you can use the account(s) you already have to get started on the core six accounts.

At this point, just focus on getting the six-account structure in place. Later, you may choose to add more accounts or give them different names (which we'll talk about in chapter 5). Right now, it's as though you are laying the foundation for a house. You're not picking out paint colors yet; you're just pouring concrete.

When I was a kid, learning to tie my shoes felt like the ultimate hurdle in life. At least it felt that way to me. Over, under, pull it tight; make a bow and pull it right. That rhyme made it worse. I would make a knot. But then I just committed one day. I just did it over and over for a half hour, and voilà! I can tie my shoes for the rest of my life. Do it once, and you never need to do it again. That's what the Money Habit system is like.

The key is to realize that this is a one-time setup that pays off forever. The challenge is not the effort; it is the mental hurdle. For the half hour at the bank, or the thirteen minutes online, you will have a lifetime of financial independence.

But there is always an excuse that it can wait until tomorrow. So schedule it like your life depends on it, because it... well, you know.

#### **☑ TAKE QUICK ACTION**

Right now, schedule an appointment with your bank. Pick a date and time like it is a meeting with your doctor. Take the time off from work. Just schedule it.

If you were one of those kids where the shoe-tying rhyme actually worked, here's the one for your wealth: "Join the rank and go to the bank. Set up the accounts and boost your amounts."



If you're wondering about bank fees, remember that banks are vendors and you are their client. They are designed to serve you. If your current bank charges fees, ask them to waive them. Bank fees and minimum balances are annoying roadblocks, but they're completely avoidable with the right approach. First, choose a bank that works for you, not against you. Go to [mymoneyhabit.com](http://mymoneyhabit.com) to get a list of banks I personally use and highly recommend and to see how they work with The Money Habit.

And if you're wondering what to say to the bank, here's an easy script: "I want to open six bank accounts so that I can manage my personal finances more effectively. I will be transferring money between these accounts regularly, so I need accounts that have no fees and no minimum balances."

## **Sixty-Six Days to Get the Hang of It**

We've been talking a lot about habits, how we're naturally wired. We're working with what you already do, not asking you to become someone else. That said, we can learn how long it takes to create a habit and use that as a guidepost for how long it may take you to get the hang of the Money Habit system.

Most people think it takes twenty-one days to create a habit, but that's actually how long it takes to establish the routine. No wonder we have a hard time sticking to habits; we think we should have it down in three weeks, but it's not that simple.

Phillippa Lally's habit formation study discovered that it takes an average of sixty-six days to form a habit. Maybe it will take you a little more time, because some habits are harder to establish. Yours is simple. You're looking at your bank accounts every day, or whenever you need to spend money. Not that difficult!

So, check your calendar and make note of the date sixty-six days from now. That's when I want you to email me again and tell me how it's going. Make sure you write "66 Days of My Money Habit" in the subject line so I can find it. And as a reward, I will give you

a bonus chapter that unlocks *only* when you've completed the full sixty-six days. No cheating. (That's a hint about the bonus chapter. You'll understand what I mean in nine weeks and three days.)

## GET 'ER DONE SUMMARY

### SET IT UP ONCE. LIVE IT FOREVER.

- 1 Complete the One Account Challenge. Now!** Pick the biggest financial stressor or desire. Name it. Open a new account for it and label it (N-Rent, W-Dinner Out, D-New Outfit, you get the idea). One account. One purpose. One giant leap forward.
- 2 Build your six-account system.** You're already opening one account, so keep the momentum going. Set up the six core accounts: INCOME, NEEDS, WANTS, DREAMS, FIX/FUTURE, and EMERGENCY. This is your money command center. Even if you don't use them all right away, the hard part of getting them set up is done.
- 3 Schedule your wealthy weekday.** Pick one day a week to log in, allocate, and take a four-minute (or less) money pulse. Put it on your calendar like a meeting with your future self, because it is.